

Commonwealth of Massachusetts
Capital Improvement and Preservation Fund
Rental Application Guidelines

The Capital Improvement and Preservation Fund (CIPF) is a state bond funded program that assists in the preservation and improvement of existing privately owned, state or federally assisted affordable rental developments. The legislation that established CIPF describes an eligible property as one which includes housing at risk of losing affordability restrictions due to the potential for the prepayment of its mortgage and housing in which a project-based rental assistance contract has expired or is expiring. The process through which owners of these projects may seek CIPF is described in these guidelines.

Guided by the legislative intent, DHCD has prepared the following program guidelines for CIPF. To the extent possible, the guidelines are consistent or compatible with existing DHCD programs, including the Housing Stabilization Fund, the HOME Investment Partnerships Program, the Low-income Housing Tax Credits Program, and the Housing Innovations Fund.

CIPF may be used for the acquisition, refinance and/or rehabilitation of existing structures for rental use. In addition, no less than 50% of the total units must be available and affordable to households at or below 80% of the area median income as determined by the U.S. Department of Housing and Urban Development (HUD) and a minimum of 5% of the total units must be reserved for households at or below 50% of the area median income.

DHCD will award a maximum of **\$40,000** per unit for projects with more than 25 units and a per project maximum of **\$2,000,000** and will award **\$50,000** per unit for projects with 25 units or less and a per project maximum of **\$1,250,000**. The amount of CIPF available each fiscal year will vary, based on an annual capital-spending budget approved for DHCD by the Executive Office of Administration & Finance, and by the needs and demands of other capital programs operated by DHCD. CIPF monies are currently available on a rolling basis or as part of a rental funding round if other DHCD resources are required.

Applicants may seek Capital Improvement & Preservation funds either as a single public source or in combination with other public funds, such as Low-Income Housing Tax Credits, Housing Innovation funds, local HOME funds, etc. However, other sources of funds may not include DHCD HOME funds. If an applicant requests CIPF for a project, it may not request or receive DHCD HOME funds for the same property. If CIPF are sought in combination with other state subsidies, certain limits will apply.

Developers must use the latest version of the One-Stop Affordable Housing Finance Application available online at www.onestop.com.

In general, DHCD's CIPF awards are structured as a 0% interest deferred payment loan, with a 40-year term of affordability. Commitments for funding sources other than CIPF funds must be included as part of the application package. **Please Note:** Sponsors must obtain a commitment of funds from the community in which the project is located.

The development and operating pro formas for all CIPF projects must conform to the standards DHCD currently uses to evaluate other multifamily rental applications submitted to programs such as the Low-Income Housing Tax Credits Program, the HOME Investment Partnerships Program, Housing Innovation

Fund, Facilities Consolidation Fund, etc. It is the Department's expectation that acquisition costs, construction costs, "soft" costs, and developers' fees will conform with the standards set forth for other DHCD preservation and production programs.

Project operating costs should be adequate and reasonable and based on trending assumptions acceptable to DHCD. If CIPF funds are to be used with local HOME program funds, rental rates should be set at HOME program rental rate limits, according to the schedules published from time to time by HUD. If CIPF funds are not to be used with local HOME program funds, rental rates for affordable units should be consistent with HOME rates or with other DHCD programs such as Low-Income Housing Tax Credits, Housing Innovations Funds program or project-based Section 8. Rental rates must be supported by market studies acceptable to DHCD. The proposed rent structure for the projects must incorporate rent increases consistent with current Department trending assumptions for affordable multifamily housing.

Readiness to Proceed

Applicants should apply for funds when a project is ready to proceed. Examples of readiness include the following: zoning for the property or properties is in place; the sponsor has site control; other financing commitments are in place; environmental conditions have been adequately reviewed, and the MassHistoric review and sign-off is underway or completed.

Capacity

The capacity of each team member must be described in the application. The application also should indicate which members of the development team are listed as Minority Business/Women's Business Enterprise by the State Office of Minority and Women Business Assistance (SOMWBA). The application must also include a management plan to ensure that the rental properties will be maintained over time.

Resident selection plan

The application for CIPF must contain a profile of the tenants currently occupying the project. The narrative must include information on current and projected rent levels, number of bedrooms in the unit currently occupied, plans for relocating some tenants within the property from very large units to units more appropriate to household size, income eligibility of existing residents, and so on.

The application must contain a resident selection plan to ensure that the selection process will be fair over time. The resident selection plan should highlight ways in which the development team will promote affirmative and fair housing practices.

Forms of assistance

CIPF loans are secured by loan documents running between the Massachusetts Housing Partnership Fund, Inc. acting as DHCD's financial intermediary for the CIPF program, and the borrower. In general, the loans are secured by zero-interest, deferred payment junior mortgage notes. The loan terms must be consistent with all statutory provisions of the CIPF. The loan terms may vary if the borrower is seeking an allocation of Low-Income Housing Tax Credits, as well as other DHCD program subsidies, in support of the preservation and/or rehabilitation of a particular project. Upon request, DHCD may approve an interest rate greater than zero for a CIPF loan. However, since such loans are made with the proceeds of Commonwealth of Massachusetts general obligation bonds, the interest rate may not exceed by more than one and one-half percentage points the yield on the bonds, actual or anticipated, as determined by the State Treasurer.

At the end of the CIPF loan term, the borrower has the option of requesting an extension of the affordability period and further deferring payment on the mortgage note. Prepayment of the note will not affect the term of the affordability restriction, which will remain in effect.

In order to be considered for funds, projects must meet the following selection criteria:

- Demonstrated risk of prepayment resulting in a significant loss of affordable units
- Termination or non-renewal of a project-based rental assistance contract
- Appropriate scope of rehabilitation or construction
- Appropriate total development cost for properties included in proposal
- Financial viability of the project
- Degree of local support, including local funding commitments
- Evidence of readiness to proceed
- Incorporation of sustainable development principles

Application process

The project sponsor must submit a full One-Stop Affordable Housing application detailing all sources and uses for acquisition and rehabilitation of the project. The One-Stop may be submitted as soon as the project sponsor completes it (i.e., on a rolling application basis). However, if the project is seeking additional DHCD resources, those resources will only be available during funding competitions announced through Notices of Funding Availability. Only One-Stop disks and forms will be accepted by DHCD. An application for CIPF, as a source exclusive of additional DHCD sources, consists of:

- four hard copies;
- 1 disk;
- and a set of plans and specifications for the project.

To cover part of the cost of underwriting the project, an application fee also must be submitted. The fee for non-profit sponsors is **\$300** per project; the fee for for-profit sponsors is **\$750** per project. Checks should be made out to the **Massachusetts Housing Partnership Fund**.

Applications should be submitted to:

**Division of Housing Development, CIPF Program
Department of Housing & Community Development
100 Cambridge Street, Suite 300
Boston, MA 02114**

For further information please go to our web page at www.mass.gov/dhcd or call the CIPF staff at (617) 573-1300.